

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Dorr
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Dorr, Michigan**

We have audited the accompanying financial statements of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Dorr, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township of Dorr, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Dorr, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Dorr, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 21 - 23, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Dorr, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Township Board
Township of Dorr, Michigan
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Dorr, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall A.C.

May 24, 2006

BASIC FINANCIAL STATEMENTS

Township of Dorr
STATEMENT OF NET ASSETS
 March 31, 2006

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	<u>Downtown Development Authority</u>
ASSETS		
Current assets:		
Cash	\$ 986,922	\$ 366,767
Receivables, net	358,587	31,196
Prepaid expense	25,667	-
Total current assets	<u>1,371,176</u>	<u>397,963</u>
Noncurrent assets:		
Receivables, net	899,803	-
Capital assets, net of accumulated depreciation	<u>2,226,139</u>	<u>-</u>
Total noncurrent assets	<u>3,125,942</u>	<u>-</u>
Total assets	<u>4,497,118</u>	<u>397,963</u>
LIABILITIES		
Current liabilities:		
Payables	113,971	1,554
Current portion of long-term obligations	<u>386,256</u>	<u>-</u>
Total current liabilities	500,227	1,554
Noncurrent liabilities - long-term obligations	<u>1,134,584</u>	<u>-</u>
Total liabilities	<u>1,634,811</u>	<u>1,554</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,851,346	-
Restricted for:		
Public safety	2,773	-
Public works	77,693	-
Recreation and culture	95,695	-
Debt service	359,340	-
Unrestricted	<u>475,460</u>	<u>396,409</u>
Total net assets	<u>\$ 2,862,307</u>	<u>\$ 396,409</u>

See notes to the financial statements

Township of Dorr
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government				
Governmental activities:				
Legislative	\$ 14,854	\$ -	\$ -	\$ -
General government	306,914	14,993	-	-
Public safety	253,889	55,589	5,273	12,205
Public works	1,047,063	945,034	-	-
Health and welfare	6,000	-	-	-
Community and economic development	34,173	8,120	-	-
Culture and recreation	228,699	54,171	5,229	-
Interest on long-term debt	68,849	51,077	-	-
Total primary government	<u>\$ 1,960,441</u>	<u>\$ 1,128,984</u>	<u>\$ 10,502</u>	<u>\$ 12,205</u>
Component unit	<u>\$ 1,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
Property taxes
Franchise fees
State grants
Investment income
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

***Net (expenses) revenues and
changes in net assets***

<i><u>Primary government</u></i>	<i><u>Component unit</u></i>
<i><u>Governmental activities</u></i>	<i><u>Downtown Development Authority</u></i>

\$ (14,854)
(291,921)
(180,822)
(102,029)
(6,000)

(26,053)
(169,299)
(17,772)

(808,750)

\$ (1,604)

563,377	31,196
21,287	-
463,043	-
26,270	8,606
<u>30,794</u>	<u>-</u>

<u>1,104,771</u>	<u>39,802</u>
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296,021	38,198
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<u>2,566,286</u>	<u>358,211</u>
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<u>\$ 2,862,307</u>	<u>\$ 396,409</u>
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See notes to the financial statements

Township of Dorr
BALANCE SHEET - governmental funds
March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Sewer assessment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 315,041	\$ -	\$ 521	\$ 671,360	\$ 986,922
Receivables, net	91,920	7,289	1,146,046	13,135	1,258,390
Due from other funds	-	54,728	-	-	54,728
Prepaid expenses	25,667	-	-	-	25,667
Total assets	<u>\$ 432,628</u>	<u>\$ 62,017</u>	<u>\$ 1,146,567</u>	<u>\$ 684,495</u>	<u>\$ 2,325,707</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 91,930	\$ -	\$ 521	\$ 10,123	\$ 102,574
Due to other funds	54,728	-	-	-	54,728
Deferred revenue	-	-	1,146,046	-	1,146,046
Total liabilities	<u>146,658</u>	<u>-</u>	<u>1,146,567</u>	<u>10,123</u>	<u>1,303,348</u>
Fund balances:					
Unreserved	285,970	62,017	-		347,987
Reported in nonmajor:					
Special revenue funds	-	-	-	303,634	303,634
Debt service funds	-	-	-	370,738	370,738
Total fund balances	<u>285,970</u>	<u>62,017</u>	<u>-</u>	<u>674,372</u>	<u>1,022,359</u>
Total liabilities and fund balances	<u>\$ 432,628</u>	<u>\$ 62,017</u>	<u>\$ 1,146,567</u>	<u>\$ 684,495</u>	<u>\$ 2,325,707</u>

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Total governmental fund balances (as above)	\$ 1,022,359
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	2,226,139
Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.	1,146,046
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds	(11,397)
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,520,840)</u>
Net assets of <i>governmental activities</i>	<u>\$ 2,862,307</u>

See notes to the financial statements

Township of Dorr

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

governmental funds

Year ended March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Sewer assessment</u>	<u>Nonmajor govern- mental funds</u>	<u>Total govern- mental funds</u>
REVENUES					
Taxes	\$ 196,203	\$ 182,001	\$ -	\$ 185,173	\$ 563,377
Licenses and permits	76,901	-	-	-	76,901
State grants	465,831	-	-	19,919	485,750
Charges for services	20,198	-	-	3,711	23,909
Fines and forfeitures	-	-	-	49,785	49,785
Interest and rentals	19,316	-	51,077	9,844	80,237
Other	28,332	-	367,182	43,171	438,685
Total revenues	<u>806,781</u>	<u>182,001</u>	<u>418,259</u>	<u>311,603</u>	<u>1,718,644</u>
EXPENDITURES					
Legislative	14,854	-	-	-	14,854
General government	282,323	-	-	-	282,323
Public safety	196,114	-	-	-	196,114
Public works	237,837	-	905,000	39,089	1,181,926
Health and welfare	6,000	-	-	-	6,000
Community and economic development	34,173	-	-	-	34,173
Culture and recreation	76,985	-	-	141,378	218,363
Capital outlay	80,302	-	-	12,029	92,331
Debt service:					
Principal	-	-	365,942	134,961	500,903
Interest	-	-	52,317	19,307	71,624
Total expenditures	<u>928,588</u>	<u>-</u>	<u>1,323,259</u>	<u>346,764</u>	<u>2,598,611</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(121,807)</u>	<u>182,001</u>	<u>(905,000)</u>	<u>(35,161)</u>	<u>(879,967)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	35,500	-	905,000	-	940,500
Transfers in	424,255	-	-	80,000	504,255
Transfers out	(80,000)	(215,449)	-	(208,806)	(504,255)
Total other financing sources (uses)	<u>379,755</u>	<u>(215,449)</u>	<u>905,000</u>	<u>(128,806)</u>	<u>940,500</u>
NET CHANGES IN FUND BALANCES	<u>257,948</u>	<u>(33,448)</u>	<u>-</u>	<u>(163,967)</u>	<u>60,533</u>
FUND BALANCES - BEGINNING	<u>28,022</u>	<u>95,465</u>	<u>-</u>	<u>838,339</u>	<u>961,826</u>
FUND BALANCES - ENDING	<u>\$ 285,970</u>	<u>\$ 62,017</u>	<u>\$ -</u>	<u>\$ 674,372</u>	<u>\$ 1,022,359</u>

See notes to the financial statements

Township of Dorr

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended March 31, 2006

Net change in fund balances - total governmental funds	\$ 60,533
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$255,032) exceeded depreciation (\$120,540) in the current period.	134,492
Interest expense uses current financial resources and, therefore, is reported in the funds. This is the amount by which accrued interest decreased in the current period.	2,775
Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount in the current period.	537,818
Proceeds of long-term debt are other financing sources in the funds, but the borrowing increases long-term liabilities in the statement of net assets.	(940,500)
Repayment of note and contract principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>500,903</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 296,021</u>

See notes to the financial statements

Township of Dorr

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2006

ASSETS

Cash	\$	11,650
Due from other governmental units		<u>20,609</u>
	\$	<u><u>32,259</u></u>

LIABILITIES

Due to other governmental units	\$	<u><u>32,259</u></u>
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See notes to the financial statements

Township of Dorr
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Dorr, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

The Dorr Township Downtown Development Authority (the Authority) meets the criteria of a component unit and has been included in the Township's general purpose financial statements as a discretely-presented component unit. This unit is reported in a separate column to emphasize it is legally separate from the Township. The Authority has a March 31 year end. The Authority's administrative office is located at 1512 140th, Wayland, Michigan 49348.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the accumulation of financial resources used to make expenditures for major highway and street improvements, as designated by the Township Board.

The Sewer Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2005.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	40 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 197,100	\$ 237,837	\$ 40,737
	Capital outlay	-	80,302	80,302
Road	Other financing uses	187,000	215,449	28,449
Library	Capital outlay	6,800	12,029	5,229

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements consists of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component unit</u>	<u>Totals</u>
Deposits	\$ 986,405	\$ 11,650	\$ 998,055	\$ 366,767	\$ 1,364,822
Cash on hand	<u>517</u>	<u>-</u>	<u>517</u>	<u>-</u>	<u>517</u>
	<u>\$ 986,922</u>	<u>\$ 11,650</u>	<u>\$ 998,572</u>	<u>\$ 366,767</u>	<u>\$ 1,365,339</u>

Deposits with financial institutions:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, a portion of the Township's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized as follows:

	<u>Bank balances</u>	<u>Uninsured</u>
Primary government	\$ 1,011,180	\$ 805,025
Component unit	\$ 366,767	\$ 166,767

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

At March 31, 2006, the Township's receivables were as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 9,598	\$ 7,508	\$ -	\$ 74,814	\$ 91,920
Road Fund	-	7,289	-	-	7,289
Sewer Assessment Fund	-	-	1,146,046	-	1,146,046
Street Lighting Fund	-	1,637	-	-	1,637
Library Fund	-	-	-	4,081	4,081
Fire Equipment Fund	-	3,644	-	-	3,644
Library Debt Fund	-	3,773	-	-	3,773
Total governmental activities	<u>\$ 9,598</u>	<u>\$ 23,851</u>	<u>\$ 1,146,046</u>	<u>\$ 78,895</u>	<u>\$ 1,258,390</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 899,803</u>	<u>\$ -</u>	<u>\$ 899,803</u>
Component unit:					
Dorr Township Downtown Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,196</u>	<u>\$ 31,196</u>

All receivables are considered fully collectible.

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 260,555	\$ -	\$ -	\$ 260,555
Capital assets being depreciated:				
Buildings and improvements	1,363,573	31,904	-	1,395,477
Equipment	364,998	32,861	-	397,859
Vehicles	859,155	35,176	-	894,331
Library collections	155,368	18,858	13,000	174,226
Infrastructure - shared road costs	-	136,233	-	136,233
Subtotal	<u>2,743,094</u>	<u>255,032</u>	<u>13,000</u>	<u>2,998,126</u>
Less accumulated depreciation for:				
Buildings and improvements	340,533	31,883	-	372,416
Equipment	148,609	26,550	-	175,159
Vehicles	334,928	44,614	-	379,542
Library collections	87,932	16,123	13,000	104,055
Infrastructure - shared road costs	-	1,370	-	1,370
Subtotal	<u>912,002</u>	<u>120,540</u>	<u>13,000</u>	<u>1,032,542</u>
Total capital assets being depreciated, net	<u>1,831,092</u>	<u>134,492</u>	<u>-</u>	<u>1,965,584</u>
Governmental activities capital assets, net	<u>\$ 2,091,647</u>	<u>\$ 134,492</u>	<u>\$ -</u>	<u>\$ 2,226,139</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 17,192
Public safety	52,921
Public works	1,370
Recreation and culture	<u>49,057</u>
Total governmental activities	<u>\$ 120,540</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2006, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Road	<u>\$ 54,728</u>	General	<u>\$ 54,728</u>

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

Interfund balances consist of road assessment monies temporarily deposited in the General fund.

A summary of interfund transfers for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 215,449	Road	\$ (215,449)
General	208,806	Public improvement	(208,806)
Library	<u>80,000</u>	General	<u>(80,000)</u>
Totals	<u>\$ 504,255</u>	Totals	<u>\$ (504,255)</u>

The transfer to the General Fund from the Road Fund represents restricted revenues collected in the Road Fund to pay for maintenance costs of the Road Activities accounted for in the General Fund.

The transfer to the General Fund from the Public Improvement Fund represents resources previously accumulated for future capital outlays.

The transfer to the Library Fund represents the Township's budgeted annual operating subsidy to support Library operations.

NOTE 7 - PAYABLES:

At March 31, 2006, the Township's payables were as follows:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 83,407	\$ 8,523	\$ 91,930
Sewer Assessment Fund	-	521	521
Street Lighting Fund	3,147	-	3,147
Library Fund	<u>5,060</u>	<u>1,916</u>	<u>6,976</u>
Total governmental activities	<u>\$ 91,614</u>	<u>\$ 10,960</u>	<u>\$ 102,574</u>

NOTE 8 - DEFERRED REVENUE:

As of March 31, 2006, deferred revenue consists of sewer special assessments unavailable to liquidate liabilities in the current period in the amount of \$1,146,046.

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS:

At March 31, 2006, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Notes payable:

\$550,000 note payable (PA 99) for construction of Township Library; due in annual installments of \$67,200, including interest at 4.75% through July 2010	\$ 289,241
\$200,000 note payable (PA 99) for the purchase of Township Fire Truck; due in annual installments of \$68,760, including interest at 1.65% through May 2006	67,699
\$35,500 note payable (PA 99) for the purchase of Township Police Vehicle; due in annual installments of \$18,317 including interest at 2.6% through March 2007	<u>17,853</u>
Total notes payable	<u>374,793</u>

Contracts payable:

\$338,194 - 1992 sewer assessment, due in annual installments through 2008, interest at approximately 5.50%	13,860
\$2,105,705 - 1999 sewer assessment, due in annual installments through 2009, interest at approximately 4.30%	386,247
\$905,000 - 2005 sewer assessment, due in annual installments through 2026, interest at approximately 5.22%	<u>745,940</u>
Total contracts payable	<u>1,146,047</u>

Total governmental activities long-term obligations \$ 1,520,840

Long-term obligation activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
Note Payable - library construction	\$ 340,021	\$ -	\$ (50,780)	\$ 289,241	\$ 54,461
Note Payable - fire truck	134,233	-	(66,534)	67,699	67,699
Note Payable - police vehicle	-	35,500	(17,647)	17,853	17,853
1992 sewer assessment	26,140	-	(12,280)	13,860	13,860
1999 sewer assessment	580,849	-	(194,602)	386,247	193,123
2005 sewer assessment	-	905,000	(159,060)	745,940	39,260
Total governmental activities	<u>\$ 1,081,243</u>	<u>\$ 940,500</u>	<u>\$ (500,903)</u>	<u>\$ 1,520,840</u>	<u>\$ 386,256</u>

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM OBLIGATIONS (Continued):

Debt service requirements at March 31, 2006, were as follows:

<u>Year ended March 31:</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 385,256	\$ 71,651
2008	288,384	56,393
2009	97,921	43,379
2010	100,707	38,543
2011	98,932	33,575
2012 - 2016	196,300	122,962
2017 - 2021	196,300	71,728
2022 - 2026	<u>157,040</u>	<u>20,494</u>
Totals	<u>\$ 1,520,840</u>	<u>\$ 458,725</u>

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its employees except volunteer firemen and seasonal employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township is required to contribute 10% - 25% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township and employees each made required contributions of \$10,521, respectively.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Revenues	\$ 55,720
Expenses	<u>56,352</u>
Deficiency of expenses over revenues	<u>\$ (632)</u>

NOTE 12 - JOINT VENTURES:

The Township, together with the Township of Leighton, established a joint wastewater treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township is contingently liable for \$1,991,154 of the authority's outstanding bonds payable, a portion of which is to be repaid from collections of special assessments levied against properties within the Township. Contracts payable equal to the outstanding assessment balances are included in the Township's general long-term debt.

Township of Dorr
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Dorr**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 197,500	\$ 197,500	\$ 196,203	\$ (1,297)
Licenses and permits	83,025	83,025	76,901	(6,124)
State grants	450,000	450,000	465,831	15,831
Charges for services	21,400	21,400	20,198	(1,202)
Interest and rentals	6,000	6,000	19,316	13,316
Other	22,950	22,950	28,332	5,382
Total revenues	<u>780,875</u>	<u>780,875</u>	<u>806,781</u>	<u>25,906</u>
EXPENDITURES				
Legislative	<u>14,000</u>	<u>14,000</u>	<u>14,854</u>	<u>(854)</u>
General government:				
Supervisor	20,200	20,200	20,792	(592)
Election	10,000	10,000	3,651	6,349
Assessor	26,000	26,000	26,060	(60)
Clerk	25,200	25,200	25,548	(348)
Board of review	780	780	780	-
Treasurer	27,200	27,200	26,084	1,116
Hall and grounds	54,500	56,000	45,059	10,941
Cemetery	10,000	10,000	5,860	4,140
Other	157,750	160,050	128,489	31,561
Total general government	<u>331,630</u>	<u>335,430</u>	<u>282,323</u>	<u>53,107</u>
Public safety:				
Police	50,000	50,000	50,443	(443)
Fire	95,000	95,000	89,319	5,681
Building inspections	65,000	65,000	56,352	8,648
Total public safety	<u>210,000</u>	<u>210,000</u>	<u>196,114</u>	<u>13,886</u>
Public works:				
Highways and streets	137,000	166,000	215,644	(49,644)
Street lighting	1,100	1,100	431	669
Drains	10,000	10,000	3,020	6,980
Recycling	20,000	20,000	18,742	1,258
Total public works	<u>168,100</u>	<u>197,100</u>	<u>237,837</u>	<u>(40,737)</u>

Township of Dorr**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Community and economic development - planning and zoning	30,000	33,900	34,173	(273)
Recreation and culture:				
Parks and recreation	55,000	60,300	60,170	130
Library	10,000	16,800	16,815	(15)
Total recreation and culture	65,000	77,100	76,985	115
Capital outlay	-	-	80,302	(80,302)
Total expenditures	824,730	873,530	928,588	(55,058)
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(43,855)</u>	<u>(92,655)</u>	<u>(121,807)</u>	<u>(29,152)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	35,500	35,500
Transfer from Road Fund	187,000	187,000	215,449	28,449
Transfer from Public Improvement Fund	210,000	210,000	208,806	(1,194)
Transfer to Public Improvement Fund	(50,000)	(50,000)	-	50,000
Transfer to Library Fund	(80,000)	(80,000)	(80,000)	-
Total other financing sources	267,000	267,000	379,755	112,755
NET CHANGES IN FUND BALANCES	223,145	174,345	257,948	83,603
FUND BALANCES - BEGINNING	28,022	28,022	28,022	-
FUND BALANCES - ENDING	<u>\$ 251,167</u>	<u>\$ 202,367</u>	<u>\$ 285,970</u>	<u>\$ 83,603</u>

Township of Dorr
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 187,000	\$ 187,000	\$ 182,001	\$ (4,999)
OTHER FINANCING USES				
Transfer to General Fund	<u>(187,000)</u>	<u>(187,000)</u>	<u>(215,449)</u>	<u>(28,449)</u>
NET CHANGES IN FUND BALANCES	-	-	(33,448)	(33,448)
FUND BALANCES - BEGINNING	<u>95,465</u>	<u>95,465</u>	<u>95,465</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 95,465</u>	<u>\$ 95,465</u>	<u>\$ 62,017</u>	<u>\$ (33,448)</u>

SUPPLEMENTARY INFORMATION

Township of Dorr**COMBINING BALANCE SHEET - nonmajor governmental funds**

March 31, 2006

	Special revenue			
	<u>Public Improvement Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Street Lighting Fund</u>	<u>Library Fund</u>
ASSETS				
Cash	\$ 189,490	\$ 2,773	\$ 17,186	\$ 98,590
Receivables, net	-	-	1,637	4,081
Due from other funds	-	-	-	-
Total assets	<u>\$ 189,490</u>	<u>\$ 2,773</u>	<u>\$ 18,823</u>	<u>\$ 102,671</u>
LIABILITIES AND FUND BALANCES				
Liabilities - account payable	\$ -	\$ -	\$ 3,147	\$ 6,976
Fund balances - unreserved, undesignated	<u>189,490</u>	<u>2,773</u>	<u>15,676</u>	<u>95,695</u>
Total liabilities and fund balances	<u>\$ 189,490</u>	<u>\$ 2,773</u>	<u>\$ 18,823</u>	<u>\$ 102,671</u>

<i>Debt service</i>		
<i>Fire Equipment Fund</i>	<i>Library Debt Fund</i>	<i>Totals</i>
\$ 207,228	\$ 156,093	\$ 671,360
3,644	3,773	13,135
-	-	-
<u>\$ 210,872</u>	<u>\$ 159,866</u>	<u>\$ 684,495</u>
\$ -	\$ -	\$ 10,123
<u>210,872</u>	<u>159,866</u>	<u>674,372</u>
<u>\$ 210,872</u>	<u>\$ 159,866</u>	<u>\$ 684,495</u>

Township of Dorr**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2006

	Special revenue			
	Public Improvement Fund	Liquor Law Enforcement Fund	Street Lighting Fund	Library Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	14,690	-	5,229
Charges for services	-	-	-	3,711
Fines and forfeitures	-	-	-	49,785
Interest	7,418	66	-	677
Other	-	-	40,034	3,137
Total revenues	<u>7,418</u>	<u>14,756</u>	<u>40,034</u>	<u>62,539</u>
EXPENDITURES:				
General government	-	-	-	-
Public works	-	-	39,089	-
Recreation and culture	-	-	-	141,378
Capital outlay	-	-	-	12,029
Debt service:				
Principal	-	17,647	-	-
Interest	-	661	-	-
Total expenditures	<u>-</u>	<u>18,308</u>	<u>39,089</u>	<u>153,407</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,418</u>	<u>(3,552)</u>	<u>945</u>	<u>(90,868)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	80,000
Transfers out	<u>(208,806)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(208,806)</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
NET CHANGE IN FUND BALANCES	<u>(201,388)</u>	<u>(3,552)</u>	<u>945</u>	<u>(10,868)</u>
FUND BALANCES - BEGINNING	<u>390,878</u>	<u>6,325</u>	<u>14,731</u>	<u>106,563</u>
FUND BALANCES - ENDING	<u>\$ 189,490</u>	<u>\$ 2,773</u>	<u>\$ 15,676</u>	<u>\$ 95,695</u>

<i>Debt service</i>		
<i>Fire Equipment Fund</i>	<i>Library Debt Fund</i>	<i>Totals</i>
\$ 90,984	\$ 94,189	\$ 185,173
-	-	19,919
-	-	3,711
-	-	49,785
916	767	9,844
-	-	43,171
<u>91,900</u>	<u>94,956</u>	<u>311,603</u>
-	-	-
-	-	39,089
-	-	141,378
-	-	12,029
66,534	50,780	134,961
<u>2,226</u>	<u>16,420</u>	<u>19,307</u>
<u>68,760</u>	<u>67,200</u>	<u>346,764</u>
<u>23,140</u>	<u>27,756</u>	<u>(35,161)</u>
-	-	80,000
<u>-</u>	<u>-</u>	<u>(208,806)</u>
<u>-</u>	<u>-</u>	<u>(128,806)</u>
23,140	27,756	(163,967)
<u>187,732</u>	<u>132,110</u>	<u>838,339</u>
<u>\$ 210,872</u>	<u>\$ 159,866</u>	<u>\$ 674,372</u>